

EXECUTIVE SUMMARY

Purpose

Amendments to the Cotton Research and Promotion Program Act (Act) of 1990 require the Secretary of Agriculture to conduct a review once every 5 years to determine the need to hold a referendum for producers and importers to vote on continuation of the 1990 Act amendments. The amendments eliminated assessment refunds to producers and levied a new assessment on imported cotton and the cotton content of imported products.

This report documents the third review of the impact of these amendments. (Two other reviews were conducted in 1996 and 2001.) Information was gathered from a variety of sources in order to represent a broad base of those impacted by the requirements in the amendments. Comments were solicited from all interested parties and economic data was reviewed to report on the general climate of the cotton industry. Finally, a number of independent sources of information were reviewed to help identify perspectives from outside the program.

Results in Brief

- The conclusion, based on the information gathered, is that the majority of the cotton industry supports the continuation of the Cotton Research and Promotion Program as it is currently structured.
- Data suggests that the program is achieving its statutory objective of increasing markets and uses for cotton.

USDA Decision

The United States Department of Agriculture (USDA) finds no definitive reason to conduct a referendum regarding the 1990 amendments to the Cotton Research and Promotion Act although one commenter supported a referendum in their response during the Federal Register notice comment period. Because the request for referendum was in the minority, it is in the best interest of all concerned to move directly to the Act provisions for producers and importers to request a referendum (sign-up period).

CHAPTER 1 – INTRODUCTION

Background

The U.S. Department of Agriculture (USDA) is required to review the Cotton Research and Promotion Program every 5 years to comply with the provisions of the Cotton Research and Promotion Act (Act). Specifically, Section 8(c) of the Act requires the Secretary to:

1. Conduct a review once every 5 years after the anniversary date of the referendum implementing the 1990 Act amendments to determine whether a referendum is necessary regarding the continuation of the 1990 amendments to the Act.
2. Make public announcement of the results of such a review within 60 days after each fifth anniversary date of the 1991 implementing referendum.

Should the review indicate that a referendum is needed, USDA is directed to conduct the referendum within 12 months after a public announcement of review results. Should the review indicate that a referendum is not warranted, Section 8(c) includes provisions for producers and importers to request a referendum (sign-up period). This sign-up period shall commence within 60 days after the public announcement by the Secretary not to conduct a referendum. The sign-up period shall not exceed 90 days.

In the one and only referendum on the 1990 Act amendments, conducted July 17-26, 1991, a total of 46,220 valid ballots were cast by cotton producers and importers. In accordance with Section 8(c)(2) of the Act, the Secretary will conduct a referendum upon the request of 10 percent or 4,622 ($46,220 \times .10 = 4,622$) or more of the number of cotton producers and importers who voted in the most recent referendum. In counting producer and importer requests, the Act provides that not more than 20 percent or 924 ($4,622 \times .20 = 924.4$) of such requests may be from any one State or importers of cotton. The Act calls upon the Secretary and the Cotton Board to publicize the details of the sign-up period.

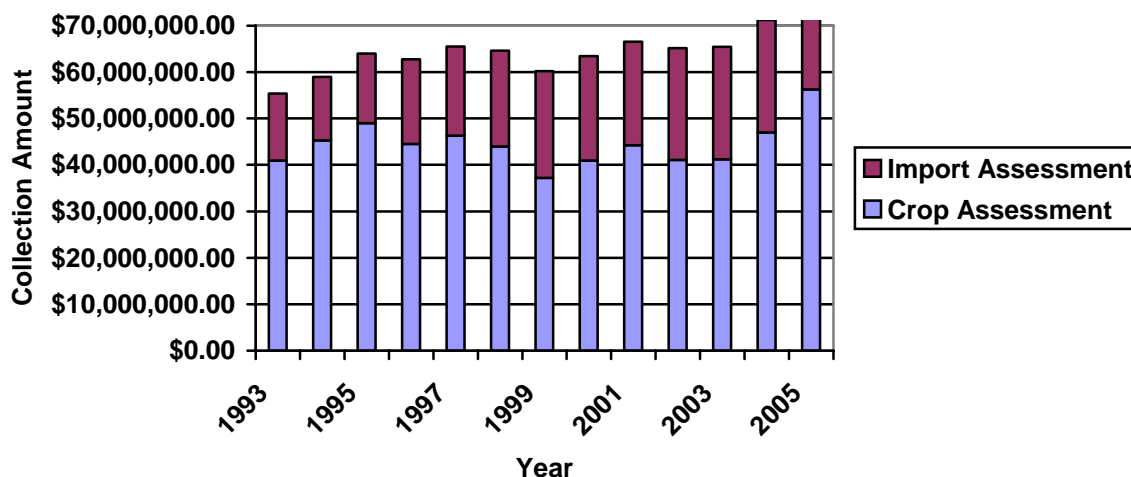
Should the sign-up period result in the requisite number of requests, the Act requires that a referendum be conducted within 12 months after the end of the sign-up period. Were this referendum found necessary, it would be conducted in 2007.

Program History

During the 1960's, in an effort to arrest the decline in demand for cotton brought on by stiff competition from man-made fibers, leading cotton industry organizations initiated legislation to create a Federally authorized self-help effort aimed at expanding demand for U.S. cotton. Enactment of the Cotton Research and Promotion Act of 1966 authorized the creation of an organization called the Cotton Board and charged it with the task of strengthening cotton's competitive position through a coordinated program of research and promotion. The 1966 Act also authorized the Cotton Board to contract with a separate organization, whose board must consist of cotton producers, to carry out a coordinated program of research and promotion for cotton. Since 1970, this organization has been Cotton Incorporated.

Research and promotion activities are funded by legislatively authorized assessments collected and disbursed by the Cotton Board. Annual collections prior to implementation of the 1990 Act amendments totaled approximately \$27,668,000. Since 1993, collections have totaled \$847,036,951. Of this total, \$577,934,028 represented domestic assessments while \$269,102,923 represented import assessments (see Figure 1). The per bale or bale equivalent assessments collected in 2005 averaged approximately \$2.36 on domestically produced cotton and \$1.88 on imported cotton and the cotton content of imported products.

Figure 1 – Cotton Research and Promotion Program Collections



From 1967 through 1991, all domestic producers had to pay cotton assessments at the point of first sale. However, the Act allowed producers who were not in favor of supporting the program to request a refund. Realizing the significance of past accomplishments and the future importance of this self-help marketing program, the cotton industry, in 1987, sought legislation to expand funding for the program. In 1990, Congress amended the Act and these amendments were included in Sections 1990-1998 of the Food, Agriculture, Trade and Conservation Act of 1990 (Public Law 101-624, 104 Stat. 3913, approved November 28, 1990). These amendments authorized two fundamental changes in the funding procedures for the Cotton Research and Promotion Program: (1) the imposition of assessments on imported cotton and cotton-containing products and (2) the elimination of producer refunds.

1990 Act Amendments

In 1991, the Agricultural Marketing Service (AMS) issued a proposal to amend the Cotton Research and Promotion Order (Order) to provide for:

1. Importer representation on the Cotton Board by an appropriate number of persons, to be determined by the Secretary, who import cotton or cotton products into the U.S. and are selected by the Secretary from nominations submitted by importer organizations certified by the Secretary.
2. Assessments levied on imported cotton and cotton products at a rate determined in the same manner as for U.S. cotton; for supplemental assessments on cotton products, a

value was determined for the cotton content of imported cotton based on an average of historical cotton prices.

3. Increasing the amount the Secretary of Agriculture can be reimbursed for conductance of a referendum from \$200,000 to \$300,000.
4. Reimbursing government agencies that assist in administering the collection of assessments on imported cotton and cotton products.
5. Terminating the right of producers to demand a refund of assessments.

To determine if a majority (50 percent or more of producers and importers) favored implementation of the proposed amendments to the Order, USDA conducted a referendum among persons who had been cotton producers or cotton importers during a representative period. Results of this referendum showed that of the 46,220 valid ballots received, 27,879 (27,638 cotton producers and 241 importers of cotton or cotton products) or 60 percent of the persons voting favored the amendments to the Order, and 18,341 (17,957 cotton producers and 384 importers of cotton or cotton products) or 40 percent, opposed the amendments to the Order.

Once a majority approval was established, AMS developed implementing regulations for the import assessment effective August 1, 1992, that eliminated the producer refund effective September 1, 1991, and provided for importer representation on the Cotton Board effective January 1, 1993. The addition of these new members brought the Cotton Board's membership to 24 (20 producer members and 4 importer members). For 2006, Cotton Board membership stands at 36 (22 producer members and 14 importer members).

The U.S. Customs and Border Protection (CBP) had a significant role in the implementation process and assumed the role of collecting agent for the import assessment. AMS and the CBP established a Memorandum of Understanding signed October 23, 1992. In addition, the agency signed a formal Reimbursable Agreement to be renegotiated each year for reimbursing the CBP for expenses incurred in the collection of import assessments. The Cotton Board, through assessment collections, reimburses AMS for these expenses. In FY 2002, CBP reviewed the costs associated with collecting import assessments and determined that a majority of the collection process was automated. The costs associated with manual processing significantly decreased. Therefore, CBP decided to stop charging USDA for collection of all agricultural commodity assessments, including cotton import assessments. Figure 2 summarizes AMS' fiscal year reimbursements and import assessments collected by the CBP through the end of FY 2001.

Figure 2 – U.S. Customs and Border Protection Reimbursements and Import Collections

Fiscal Year	AMS Reimbursement	Import Assessment Collection
1993	\$128,406*	\$11,119,796**
1994	26,932	14,010,276
1995	28,829	14,958,877
1996	30,617	17,939,854
1997	28,855	19,633,713
1998	35,237	21,116,415
1999	38,273	23,625,583
2000	43,089	23,823,623
2001	62,417	22,653,130
2002	0	24,410,376
2003	0	24,912,320
2004	0	24,011,289
2005	0	27,033,719
2006	0	29,016,373

* The initial 1993 agreement included an amount for start-up costs of \$44,906 and for recurring costs of \$83,500 for a total reimbursement of \$128,406.

** January-September 30, 1993.

1996 and 2001 Reviews

The result of the first 5-year review of the Cotton Research and Promotion Program were issued on October 8, 1996. Afterwards, USDA announced its decision not to conduct a referendum regarding the 1991 amendments to the Order (61 FR 52772). During the period of January 15 through April 14, 1997, the Department conducted a sign-up period for all eligible persons to request a continuance referendum on the 1990 Act amendments. The results of the sign-up did not meet the criteria established for a continuance referendum by the Act.

In 2001, the result of the review of the Cotton Research and Promotion Program were issued on January 14, 2002 (67 FR 1714), and USDA announced its decision not to conduct a referendum regarding the 1991 amendments to the Order. During the period of June 3 through August 30, 2002, the Department conducted a sign-up period for all eligible persons to request a continuance referendum on the 1990 Act amendments. The results of the sign-up did not meet the criteria established for a continuance referendum by the Act.

Scope of the 2006 Review

AMS has identified two objectives for this review. The first, as defined in the Act amendments, is for the Secretary to determine if a continuance referendum is needed. The second is to provide information to persons who may be voting in a future referendum. These objectives are addressed in this report through a discussion of pertinent information regarding the Cotton Research and Promotion Program since implementation of the 1990 Act amendments.

Efforts were made to obtain information from a wide variety of sources. USDA considered all information obtained in determining whether to conduct a referendum.

Methodology

To accomplish review objectives, AMS:

- Published a notice in the Federal Register requesting comments regarding the 1990 Act amendments from all interested parties to establish, in the broadest context, public perception of the Cotton Research and Promotion Program.
- Sent the above Federal Register notice to all cotton producer and importer organizations that are certified by USDA to nominate Cotton Research and Promotion Program board members to solicit comments from organizations that are most directly affected by program activities. Additionally, posted the Federal Register notice to AMS' Web site and established a means for all interested parties to electronically submit comments.
- Reviewed the results of a grower awareness study conducted for the Cotton Board by The Gallup Organization to further identify and reinforce individual, rather than organizational, perceptions of the Cotton Research and Promotion Program.
- Reviewed the results of a study conducted for the Cotton Board by The Gallup Organization to determine the cotton importers' awareness of the activities of the Cotton Board and Cotton Incorporated and preferences for more information and services.
- Reviewed economic data to report on the general climate of the cotton industry including, but not limited to, the demand for cotton, imports, and exports.
- Requested comments by USDA's Foreign Agricultural Service on its assessment of the Program.
- Reported the results of the Cotton Board's 2006 independent program evaluation assessing the effects of the Cotton Research and Promotion Program activities on demand for upland cotton, return-on-investment to cotton producers, the net value to companies who import cotton products and raw cotton, and the overall rate-of-return and qualitative benefits and returns associated with the Cotton Research and Promotion Program.
- Reviewed the Cotton Research and Promotion Program accomplishments and impacts within the cotton industry.

CHAPTER 2 – OVERVIEW AND ACTIVITIES OF THE COTTON RESEARCH AND PROMOTION PROGRAM

General Overview

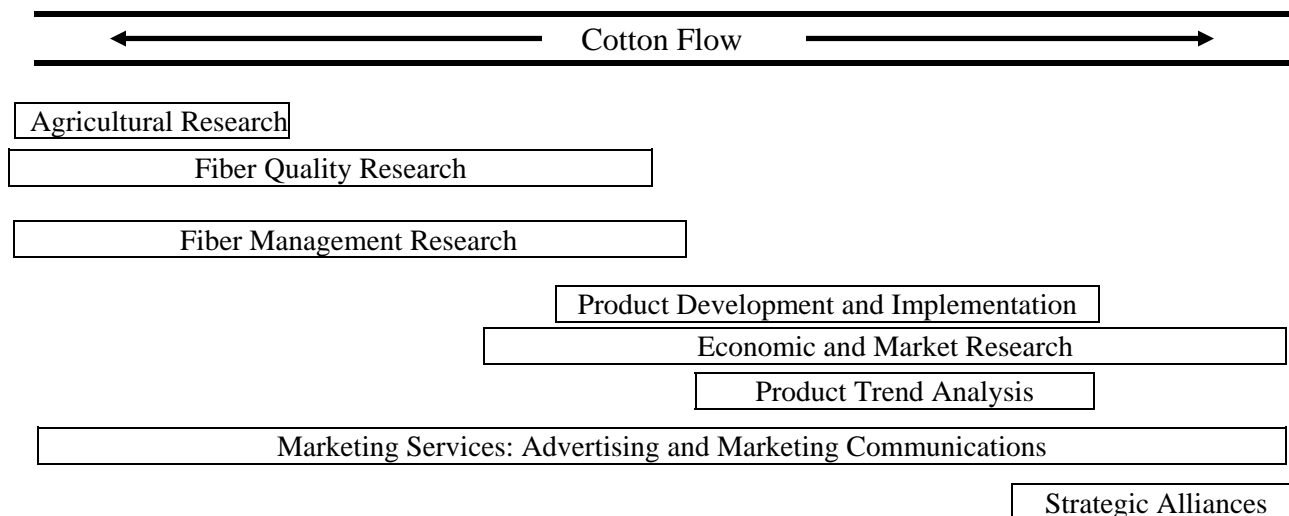
The Cotton Research and Promotion Act provided for the establishment of the Cotton Board as a non-profit quasi-governmental entity. The Cotton Board exists only to administer the Cotton Research and Promotion Program. The Act directed the Cotton Board to contract with a separate organization to conduct the actual research and promotion projects. This organization is Cotton Incorporated.

The mission of Cotton Incorporated, the Cotton Research and Promotion Program's sole source contractor, is to increase the demand for and profitability of cotton through a combination of research and promotion activities. These activities are carried out for the singular purpose of influencing the production, consumption and profitability of cotton. Although identified separately in Cotton Incorporated's mission statement, these two crucial elements – research and promotion – do not exist as separate entities in practice. Research, technical and information services are conducted to support the industry that currently is using or potentially could be using cotton. These activities are the core of Cotton Incorporated's marketing and promotion efforts.

The fundamental belief underlying Cotton Incorporated's mission and function is that consumers have a choice in the marketplace. Simply stated, consumers worldwide have the choice of purchasing cotton or products made from any number of other fibers. Consumer choices are the primary driving force behind manufacturers' and retailers' strategies on which fibers and fabrics to manufacture and sell. All of Cotton Incorporated's programs are aimed at influencing the choices made about cotton at key decision points throughout the industry pipeline. See Figure 3.

Figure 3 – The Industry Pipeline and the Strategic Allocation of Cotton Incorporated Programs

Producers-Ginners-Cooperatives/Merchants-Spinners-Manufacturers-Converters-Retailers-Consumers



Source: Cotton Incorporated

In the face of intense competition from other fibers, efforts from the Cotton Research and Promotion Program help generate a presence and a voice for cotton in all facets of the industry. Specifically, Cotton Incorporated is a viable source of information, and a provider of technical assistance and research dedicated directly to cotton. Many of these activities exist for other fibers that cotton competes with in the market.

With all of cotton's current competition in the global market, mills continue to use cotton rather than synthetic fibers because the activities conducted by Cotton Incorporated affect a "push-pull" approach to building demand for cotton. Strong consumer demand for cotton products provides the "pull through" that requires manufacturers to make what consumers want. Cotton Incorporated "pushes" cotton demand by helping the industry overcome the challenges of using cotton through technical assistance and research that reduces the risks to the manufacturer and ensures that the product that cotton farmers produce can be sold in the market.

Research, Technical and Information Services

Cotton Incorporated's programs in research, technical and information services provide the industry with an exceptionally strong base of support and knowledge. Cotton Incorporated's research and services cover all aspects of the industry from the farm to the consumer. Examples of the company's activities are described below.

- Research into seed selection allows growers to make more informed choices about selecting seed varieties that can ultimately and directly affect their profitability. Cotton Incorporated is heavily involved in evaluating new transgenic varieties.
- Cottonseed research and promotion has been an area of value-added benefit to producers, allowing them to capture greater returns from the seed portion of their crop.
- The commercial product "GeoSkin™ Cotton Hydromulch" was launched at the International Erosion Control Conference.
- Research is being conducted into systems to accurately measure moisture content in cotton bales.
- "On-board" module building systems are under development by private suppliers and Cotton Incorporated is undertaking a study to document the economic impact to cotton producers.
- TOUGH COTTON™ and STORM DENIM™ finishes were developed to provide improved abrasion resistance and water-repellant, breathable denim. These finishes are currently being implemented by manufacturers and clothing companies.
- WICKING WINDOWS™ has been developed and implemented with companies in the global supply chain in order to improve cotton's competitive position in fabrics that require moisture management properties.

Marketing and Promotion

Cotton Incorporated's promotion and consumer marketing activities are predicated on the following model of consumer behavior: Generate an awareness of cotton and a positive connotation of cotton among consumers so that they will seek cotton in the products they buy. Cotton Incorporated's product marketing efforts address a similar model of influence on the supply side of the market: Influence the manufacturers' and retailers' decisions about fiber and fabric in order to promote the use of more cotton.

Cotton Incorporated's television advertising is highly effective. An independent research firm, Harris Interactive, conducts continuous evaluations of Cotton Incorporated's television and print advertising. This research allows Cotton Incorporated to monitor and fine-tune its media plan. Key research findings are noted below.

- Awareness of the television campaign is 55 percent receiving the highest level of recognition for Bathroom Buddies at 38 percent. The primary target, women 18 to 34 have 62 percent awareness of the campaign, a significant difference over the secondary target at 50 percent.
- Multiple Personalities and Bathroom Buddies both had significant increases in ad recognition from Wave 7.
- Based on a special analysis of 738 women, the two new ads, Dry Cleaner and Tags (Mystery Fabric) have awareness levels of 11 percent and 17 percent respectively. The main message is clearly communicated through Dry Cleaner with 71 percent correctly identifying the intent of the commercial, while 43 percent of women understood (unaided) the main message of Tags.
- Composite print awareness among total respondents is 18 percent. Awareness among fashion magazine readers continues to be stable at 29 percent.
- Overall awareness of the new print ads is 5 percent and 12 percent among fashion magazine readers and is based on ads that have been in the market for two months. The print ads that have been in the market on average five months, have awareness of 29 percent among fashion magazine readers indicating that with time and multiple exposures awareness levels of the campaign tend to build.

Advertisements	Visual Awareness	Awareness Among Fashion Magazine Readers	Correct Message ID	Advertisement Makes Me Want to Buy Clothes
Wave 8 January to June 2006				
Television				
Total TV	55%*	-	-	-
Multiple Personalities	26%	-	87%	30%
Store Fronts	26%	-	90%	37%
Bathroom Buddies	38%	-	66%	24%
Wall of Jeans	23%	-	84%	35%
Laundromat	18%	-	38%	24%
Print				
Total Print	18%*	29%	-	-
Stain Resistant	9%	14%	-	27%
10 More Minutes	5%	6%	-	19%
Houston	3%	9%	-	17%
Speechless	4%	9%	-	23%
Wrinkle Resistant	5%	7%	-	23%
Shrinking Waistline	4%	11%	-	22%

Advertisements	Visual Awareness	Awareness Among Fashion Magazine Readers	Correct Message ID	Advertisement Makes Me Want to Buy Clothes
Special Analysis—July 2006				
Television				
Total Television	51%*	-	-	-
Multiple Personalities	26%	-	51%	14%
Store Fronts	25%	-	48%	26%
Bathroom Buddies	39%	-	76%	20%
Dry Cleaner	11%	-	71%	25%
Tags (Mystery Fabric)	17%	-	43%	16%
Print				
Total Print	5%*	12%	^	-
Rent Money	4%	8%	^	16%
Kid Says Mom	2%	4%	^	19%
Working Girl	2%	6%	^	13%
Golf	2%	2%	^	15%
Towel	1%	3%	^	9%
Stain Resistant	3%	5%	^	21%
*Among respondents that have seen at least one ad ^ Correct Message ID for the new print ads will be available mid-August				

The Seal of Cotton Trademark is widely recognized and effective. An essential element of Cotton Incorporated's marketing strategy with consumers is the use of the Seal of Cotton to identify the cotton content in products. To that end, Cotton Incorporated conducts periodic evaluations in the U.S. of awareness of the Seal of Cotton among consumers. The results of this evaluation are a direct indication of Cotton Incorporated's successful advertising and promotion efforts to build awareness of the Seal of Cotton as a means of linking consumer-buying behavior to a visual cue identifying cotton products.

Research reveals that awareness of the Seal of Cotton in the United States continues to be at the level of more than 8 out of 10 consumers, making the Seal of Cotton one of the most widely recognized corporate logos. Based on research findings, there is strong evidence that recognition of the Seal of Cotton over the last 5 years has been consistently exceeding 80 percent. Figure 4 provides the results of awareness testing for the Seal of Cotton and several other major corporate logos.

Figure 4 - Percentage of U.S. Consumers Recognizing Major Corporate Logos

	1996	1997	1998	1999	2000	2002	2004
90% confidence level	+/- 3	+/- 3	+/- 3	+/- 3	+/- 3	+/- 4	+/- 4
Chrysler	80	82	84	87	63	NA	NA
CBS	71	78	78	80	82	78%	81%
Microsoft	48	55	60	68	71	87%	74%
Delta	42	44	38	46	48	NA	NA
Merrill-Lynch	49	55	50	61	65	62%	61%
Prudential	62	70	69	69	71	NA	NA
Eastman Kodak	62	69	72	72	76	60%	59%
Cotton Incorporated	71	74	72	74	75	88%	87%
Lycra	N/A	13	12	15	17	7%	10%
Woolmark	35	42	37	40	44	43%	42%
Chevrolet	76	81	80	83	84	NA	NA
AT&T	59	68	68	68	73	58%	60%

Sources: Roper Starch Worldwide and Harris Interactive

Because of the important role that the Seal of Cotton plays in Cotton Incorporated's promotion programs, additional testing is periodically conducted to evaluate other aspects of the Seal of Cotton. The Seal of Cotton's brand equity was benchmarked in 2002 and 2004 marks the first year of comparison data. The objective of the brand equity portion of the study is to determine what the Seal of Cotton conveys to consumers and how it compares to the average scores of 167 other brands associated with Cotton Incorporated's industry such as Target, Macy's, MasterCard, Visa and QVC, as well as those outside of the industry such as Toyota, Dell, Jack Daniels and Krispy Kreme.

COMPANY/PRODUCT







Product Usage

A total of 914 respondents were shown a rotation of logos, similar to the one at the left, and asked about their previous experience with the product. Over 70 percent of consumers indicated they had used or purchased products with the Seal of Cotton in the past 12 months. By age, there was a significant fall off at 65 years old where only 55 percent stated they had purchased an item related to the Seal of Cotton, compared to 78 percent of all other ages. This is reflective of the overall retail market, in which cotton's share of products purchased by consumers tends to decline with age. Overall, purchases of products with the Seal increased with age (up to 65 years-old), income and education.

In total, 96 percent of consumers indicated that they have heard or seen products with the Seal of Cotton. This compares to an average of 75 percent for all other brands tested. Only 9 percent of consumers indicated they had never used or purchased an item associated with the Seal of Cotton, compared to 32 percent of all other brands tested.

Outside of the United States, Cotton Incorporated's other consumer marketing activities are in Mexico, India, and China. The efforts in Mexico are essentially a Seal of Cotton licensing program, where there are more than 130 license holders. In India and China, Cotton Incorporated is conducting joint programs with Cotton Council International. The Gold Alliance program in India was a prototype program for retail and consumer advertising in a developing market. In China, *Cotton: Beyond Your Imagination*TM was launched in 2006 with student fashion design competitions, consumer websites, press events, and promotional events in shopping malls in Shanghai and Beijing.

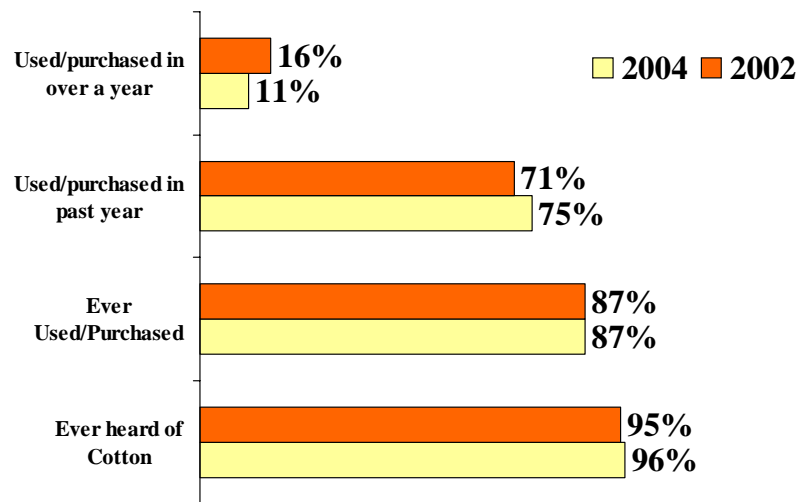
Retail promotions are a critical link between Cotton Incorporated and consumers at the point of sale. Cotton Incorporated's retail promotions are conducted nationally with several major retailers. Recent examples of promotion activities are noted below.

- Promotions with J.C. Penney feature the Seal of Cotton on cotton towels. The Seal of Cotton is currently on bedding products, JC Penney towel lines, and cotton rugs.
- Belk department stores use the Seal of Cotton on several private label brands.
- Cotton Incorporated partnered with Brooks Brothers in support of their annual Golden Fleece Polo promotion. Extensive exposure for the Seal was secured in 203 stores as well as in catalogs and Web sites.

Cotton Incorporated is also involved in experiential marketing efforts at U.S. universities. In 2005 and 2006, the company held Cotton's Dirty Laundry TourTM at 23 campuses across the nation. This event allowed the company to directly interact with a primary target audience (ages 18-24) and deliver several messages related to purchasing and caring for cotton clothing.

Cotton Incorporated's reach is global, extending to more than a thousand companies in approximately 30 countries. With offices in Singapore, Osaka, Shanghai, and Mexico City, Cotton Incorporated personnel are strategically placed to service buyers of U.S. raw cotton as well as to work directly with U.S. importers and their overseas suppliers. Cotton Incorporated's services reach more than 80 percent of the foreign destinations where U.S. cotton growers sell their product. Additionally, more than 75 percent of the foreign countries that supply cotton products to the U.S. are covered by Cotton Incorporated's activities.

Percent of Consumers that Have Either Purchased or Heard of Products Identified by the Seal of Cotton



Marketing Evaluations, Inc.

Cotton Importers

Cotton Incorporated has a long history of providing services to manufacturers and retailers, many of whom are also classified as importers of cotton and cotton products. Since its earliest days, Cotton Incorporated has provided marketing and technical support to manufacturers and retailers in an effort to support and expand their cotton business. In its internal strategic plan, Cotton Incorporated identified as one of its core corporate strategies the commitment to servicing “importers of cotton products more aggressively and effectively by targeting important suppliers and importers in an effort to maintain or improve the quality of imported cotton products sold at retail.” This strategy led to several activities that were designed to further the objectives of the Research and Promotion Program as they relate to the importers’ cotton business.

Support for Textile Students

Support is provided through a competitive proposal process to universities and colleges that develop programs for increasing the awareness of cotton among textile and design students. These programs will foster a greater awareness of cotton and Cotton Incorporated’s activities among people who will be the next generation of professionals in the textile and retail industries.

Conferences

Several conferences have been conducted to promote sourcing opportunities and enhance awareness of cotton among companies that import cotton products into the United States.

Education and Training

A program of seminars for importers has been developed as a means of training staff at importing companies to improve their knowledge of textiles and cotton. The seminars are considered a highly important vehicle for raising the level of proficiency among importers for sourcing cotton products. Seminars include advanced topics such as circular knitting, denim manufacturing, color science, and weaving science. In addition to seminars held at U.S. locations, the program is now being extended to locations in Asia in order to reach more importer companies and their foreign-based staff.

CHAPTER 3 – FINDINGS

Federal Register Notice

As part of the review process, AMS published a Federal Register notice (71 FR 13807) with invitation for all interested parties to submit written comments regarding the need for a referendum. The comment period was 90 days from March 17 through June 15, 2006. USDA received a total of 16 responses from its Federal Register notice, 15 not supporting a continuance referendum and one supporting a continuance referendum. All responses received are included in the appendix.

Comments Not Supporting a Referendum

Fifteen comments, which included comments from 14 certified producer and importer organizations that nominate producers and importers to the Cotton Board, claimed widespread support for the continuance of the program as it is currently administered and expressed a belief that the program is serving the industry well, especially during times of severe economic conditions, such as those currently facing the cotton industry, and the competition from man-made fibers. Comments expressed support for the Program and confidence that the Program was being good stewards of producer and importer monies, which returns tremendous dividends to cotton constituents.

Specifically, many responses noted that while the cotton industry is enduring difficult times in the United States, the Cotton Research and Promotion Program is essential in order to promote demand for cotton products and to help develop new, more efficient production practices and technologies in order for the cotton industry to provide consumers with the high quality products they have come to expect. Some producers also addressed the benefits that producers and importers have received since the implementation of the 1990 Act amendments (increases in market share, per capita cotton consumption, and apparel imports) and noted that the current assessment structure assures that all those who benefit from this program pay their fair share of the cost of program obligations.

Comments in Favor of Referendum

Of the 16 total comments that USDA received, only one comment favored a continuance referendum. This commenter, who represents textile and apparel cotton product importers and is certified to nominate importers to the Cotton Board, claimed among many arguments that the only way to measure whether the Cotton Research and Promotion Program is working is to have a referendum. Moreover, the commenter suggested that much has changed in the industry to warrant a referendum, such as the proliferation of U.S. preference programs, free-trade agreements, and qualified industrial zones and the elimination of comprehensive system of quantitative restraints or quotas on imports of cotton-containing products. Thus, the volume of trade has increased overall and imported products account for an increasing portion of the business. In addition, the commenter stated that a referendum was particularly important because U.S. importers are subject to the program and account for more than a third of the

funding of the Cotton Board and have no representation on Cotton Incorporated's Board of Directors, the Cotton Board's sole-source contractor.

The Gallup Organization Study

During the summer of 2006, The Gallup Organization, Princeton, New Jersey, conducted two market research studies involving completed samples of 1,008 cotton producers and 100 importers. These studies were commissioned by the Cotton Board for the purpose of measuring cotton producer and importer awareness and satisfaction with the Cotton Board's performance in its utilization of cotton check-off funds. All respondents involved in this study were randomly selected and the results are presented below.

Grower Study

The overall purpose of the cotton producer study was to measure the understanding and opinions regarding research and promotion activities. The studies found that the awareness of the Cotton Board and Cotton Incorporated is high, and awareness of the Cotton Research and Promotion was moderate. Producers generally felt that they do not feel knowledgeable about what the program has to offer, although they think they have access to information to keep them informed. Surveyed producers thought that they would find value in having more opportunities to hear about the program first-hand from the Cotton Board and Cotton Incorporated.

Producers are moderately satisfied with the Program's efforts to increase consumer demand for cotton and improved cotton's competitive position in consumers' minds. Producers believe the program is somewhat effective in building awareness of cotton's benefits and in conducting agricultural and textile research on their behalf and on behalf of the consumer.

Gallup found that the producers' awareness of the Cotton Research & Promotion Program could be increased through targeted media, events and in-person conversations and word of mouth, which may build "viral marketing" effect since peers are important information sources.

Importer Study

The overall purpose of the importer study was to determine cotton importers' awareness of the activities of the Cotton Board and Cotton Incorporated and preferences for more information and services. The Gallup poll found that awareness of the Cotton Board and Cotton Incorporated is high among cotton importers, and importers understand the mission of Cotton Incorporated. Most importers believe the mission or purpose of Cotton Incorporated is to promote awareness or use of cotton and believe that Cotton Incorporated. is succeeding in spreading the message about the quality and consistency of U.S.-grown cotton.

Surveyed importers are very interested in the Research and Promotion program services that are focused on technological innovation and employee education, as well as the fabric libraries developed by Cotton Incorporated. Importers said that they understand the mission of Cotton Incorporated, but most importers surveyed do not use the Seal of Cotton on their products.

In addition to determining cotton importers' awareness of the Cotton Research and Promotion Program activities, the Cotton Board also commissioned The Gallup Poll Organization to gauge the general attitude that importers had about U.S. cotton. Fifty-eight percent of importers said

that they preferred U.S. cotton for its quality and uniformity, and 42 percent stated no preference for buying U.S.-grown cotton. A very small percentage preferred cotton from other countries because of price of current supplier relationships. The survey also found that importers are looking for new innovations in cotton and want more educational opportunities. Importers are also interested in information about global influences to their business.

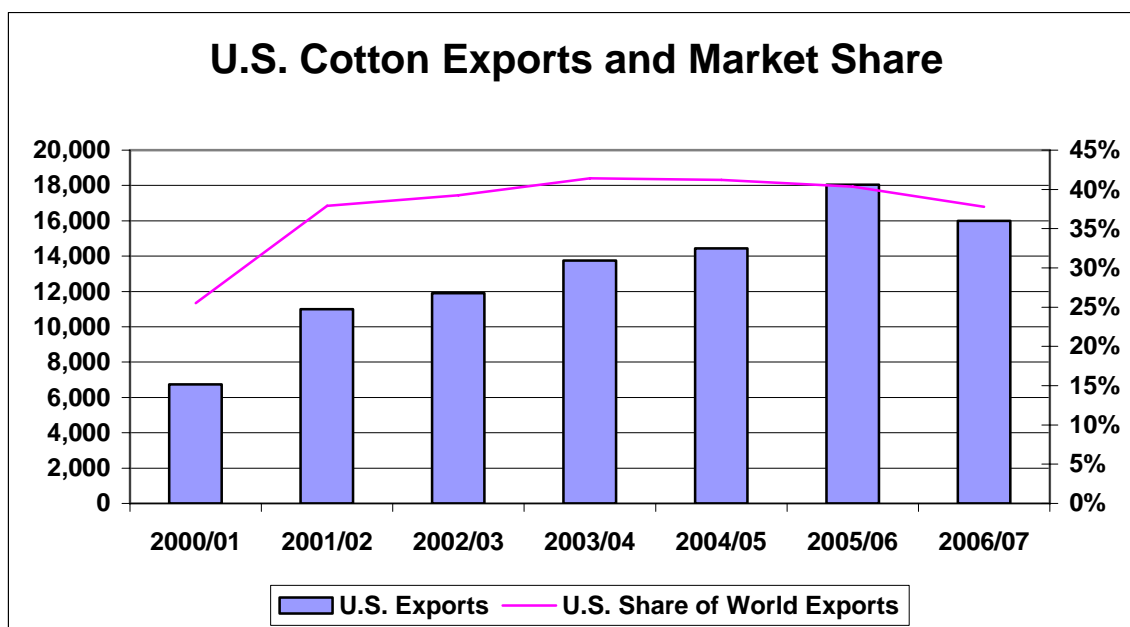
Foreign Agricultural Service

The Cotton, Oilseeds, Tobacco, and Seeds Division prepared the following comments pursuant to the responsibilities and authorities delegated to the Foreign Agricultural Service (FAS) by the Secretary of Agriculture to oversee international activities undertaken by the Cotton Board via its contractor, Cotton Incorporated (CI).

Per the Memorandum of Understanding (MOU) between FAS and AMS signed in 1996, FAS is responsible for ensuring that activities undertaken by CI complement, to the extent possible, other market development activities funded by the U.S. Government and comply with international treaty obligations entered into by the U.S. Government. There is much evidence that the Cotton Research and Promotion Program is operating effectively within the parameters outlined by the MOU in addition to fulfilling the intended program objectives of increasing worldwide demand for and profitability of cotton, especially U.S. cotton.

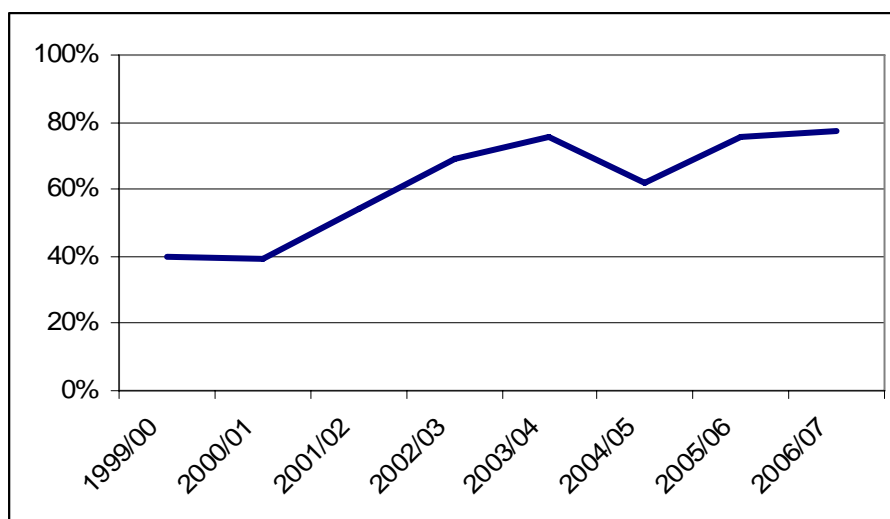
The Foreign Agricultural Service conducts export promotion activities for U.S. cotton through the Cotton Council International (CCI) whose members include cotton producers, ginners, merchandisers, spinners, warehousemen, shippers and manufacturers. Due in part to the checkoff dollars contributed to CCI and/or expended directly by CI on international activities, CCI has qualified for over \$19 million in annual funding from various FAS-administered export development programs.

Foreign cotton consumption has increased from 88.9 million bales in 2000-01 to an estimated 116.2 million bales in 2006-07 and world trade in cotton from 26.4 to 42.4 million bales in the same period. The U.S. share of the growing world cotton trade has also increased from the 25 percent level seen in the 1990s to more than 36 percent. U.S. cotton fiber exports averaged about 6.9 million bales per annum during the 1990s, but have averaged nearly 15 million bales during the last five years.



This is particularly significant as exports become more critical to the profitability of U.S. cotton producers because of dramatically declining consumption by U.S. mills that have been forced to close due to high labor, capital and production costs relative to those of their foreign competition. The U.S. Department of Agriculture's projected estimate of annual mill use of 5.3 million bales for the 2006-07 year is 40 percent below the 2000-2001 level and only 33 percent of the forecast export level. Therefore, as a share of production, exports that absorbed on average 40 percent of production in the 1990s, are expected to account for 77 percent in 2006-07.

U.S. Cotton Exports as a Percent of U.S. Cotton Production



Despite the optimistic export prospects for the coming year, U.S. cotton will continue to face stiff competition overseas over the longer term due the availability of relatively inexpensive

synthetic chemical fibers, record levels of foreign cotton production, and expectations that demand growth will slow in the near future.

The world market for cotton is dynamic and the relative position of importing countries can shift dramatically from year to year. Ten years ago, the top three markets for U.S. cotton were China, Japan, and Mexico. Today, the top three markets for U.S. cotton are China, Turkey, and Mexico. Even though China was the largest market in both 1996-97 and 2005-06, it has ranked as low as thirteenth place in an intervening year, 1998-99. CI has effectively anticipated these market trends and adjusted promotional activities to take advantage of them as well as new opportunities created by U.S. trade legislation such as the North American Free Trade Agreement (NAFTA), the Caribbean Basin Initiative (CBI), and the African Growth and Opportunities Act (AGOA).

The Foreign Agricultural Service is very pleased with the integration of the market development efforts of Cotton Council International and Cotton Incorporated. In our view, the coordination of resources and expertise of the two organizations is enormously beneficial to the U.S. cotton industry by capitalizing on the foreign and promotional expertise of CCI and the technical expertise of CI. This partnership resulted in cost efficiencies by minimizing duplication of effort and allowing the two organizations to share staff and administrative resources. For example, the organizations are building their capacity to service the dynamic Chinese market by sharing resources from the CCI Hong Kong office and the CI Shanghai office.

The close working relationship between CCI and CI has proven to be a mutually beneficial corporate marketing tool by enhancing the stature of each organization, significantly expanding their combined customer base, broadening the range and opportunities for trade and technical servicing, and allowing them to enlist higher-quality foreign clientele in joint promotional events worldwide. The international staffs of the two organizations meet annually to share marketing insights and jointly develop strategies. Moreover, CCI and CI staff frequently travel in tandem, with each organization gaining broader entry to mills and trade contacts that, singly, they might not be able to access.

The following are a few examples of such jointly funded and implemented activities and results reported to FAS by CCI:

- The Cotton Gold Alliance (CGA), a 3-year pilot consumer promotion project in India demonstrated that, even in developing countries where pressure from inexpensive chemical synthetic fibers is fierce, consumers can be influenced to change purchasing habits to include more cotton. An evaluation of the CGA concluded that consumer preferences for cotton versus synthetics can be positively influenced by generic cotton promotion. The evaluation also showed that promotional tactics to establish consumer preference for cotton products that worked in developed and developing countries elsewhere also worked in a large cotton-producing textile economy, such as India, and could be measured through awareness and preference metrics. This evaluation, plus detailed consumer research that was conducted by CI, is guiding a new consumer promotion strategy in China.
- As a result of the COTTON USA Sourcing program, U.S. cotton yarn exports to the Caribbean Basin have skyrocketed from \$30 million in 1999 to nearly half a billion dollars in 2005. These promotional investments have made the CAFTA-DR region the largest export market for U.S. cotton fabric and yarns.

- The First U.S. Cotton Symposium in Turkey led to strong licensing prospects and initial sales of 204,000 bales of U.S. cotton valued at \$70.6 million. U.S. merchants traveling in Turkey sold an additional 110,000 bales of U.S. cotton valued at \$29.9 million the week prior to the Symposium. The record U.S. cotton purchases in Turkey increased its total marketing year purchases to 2 million bales, a value of \$543.4 million, and positioned Turkey second only to China among U.S. cotton's largest export customers. Turkey imported only 1.4 million bales in the previous marketing year.
- Following an Engineered Fiber Selection® (EFS®) conference in Singapore, Indonesia's largest denim manufacturer and second-largest cotton consumer increased its annual U.S. cotton purchases by an estimated 48,000 bales valued at \$12.1 million. The company signed a CI EFS® license, locking the company into purchasing a minimum of 35 percent U.S. cotton annually (up from 25 percent prior to licensing). The integrated yarn and fabric manufacturer consumes over 480,000 bales of cotton per year and annually produces 80 million meters of greige fabric and 60 million meters of denim fabric. Post-conference evaluations showed that half of the respondents said they plan to register as an EFS® licensee.
- U.S. cotton exporters sold \$76 million of U.S. cotton (300,000 bales) during the Sourcing USA Summit and expected to sell another \$505 million (2 million U.S. bales) within three months of the event, more than doubling sales from the previous Summit. The Summit was held in San Diego and brought together 450 top leaders from all major U.S. export companies and the largest cotton mills in the world. As a result of attending the Summit, 87 percent of cotton buyers said they were somewhat likely to increase their purchases of U.S. cotton over the next year, as compared to 42 percent in the previous Summit. Some 75 percent of buyers said the Summit convinced them of the advantages of U.S. cotton vs. alternatives, and 33 percent indicated their interest in becoming a COTTON USA Mark licensee. On the exporting side, 77 percent of cotton sellers said the Summit presented opportunities that will positively affect their company's profits, a 12 percent increase from the previous Summit.

In summary, the Foreign Agricultural Service believes the Cotton Board's and CI's efforts in international market promotion are essential to continue to enhance the demand for cotton in markets that are important to the U.S. cotton industry.

Market Analysis

General

Cotton is the single most important textile fiber in the world, accounting for over 40 percent of the total world fiber production. While some 80 countries produce cotton, the United States (U.S.), China and India together provide over 60 percent of the world's cotton. The U.S., while ranking third to China and India in cotton production, is the leading exporter, accounting for 25-30 percent of global trade in raw cotton. The U.S. produced over 20.6 million bales, on an annual average, during the last 5 years. Additionally, the U.S. ranks fifth in world cotton consumption (4 percent) behind China (41 percent), India (14 percent), Pakistan (10 percent), and Turkey (6 percent). The U.S. cotton industry and its suppliers, together with the cotton product manufacturers, account for one job out of every 13 in the U.S. and for more than \$25 billion in products and services annually.

International trade is particularly important for cotton because 35 percent of the world's consumption of cotton fiber crosses international borders at least once before reaching its final consumers. This is a larger share than for wheat, corn, soybeans, or rice. The cotton industry continues to face many of the supply and demand concerns confronting other field crops. However, because cotton is used primarily in manufactured products, the industry faces additional challenges associated with the economic well being of downstream manufacturing industries.

Demand for Cotton

Three important and different measures of cotton demand – retail market share, total cotton consumption, and per capita cotton consumption – all show significant increases since the inception of the 1990 amendments to the Act.

A significant decline in cotton's once U.S. dominant market position began in the 1960's as textile imports increased and consumer preferences shifted from cotton to man-made fibers, particularly polyester. From 1961 to 1975, cotton's share of U.S. retail apparel and home fabrics, excluding carpet, fell from over 60 percent to a low of 34 percent. Had consumer preferences for cotton continued to decline, market share, based on the trend formed during this period, would have fallen to 20 percent by 1995. The early decline of cotton's market share was only made more difficult by the strength, uniformity, ease of handling, and easy care properties offered by man-made fibers. Additionally, costs to mills were higher for cotton than polyester and rayon.

Since the 1970s, however, cotton has fought back to win market share and claim the top spot among fibers in retail apparel and home fabrics. Growth and preservation of market share have always been key strategic goals for the Cotton Research and Promotion Program. Since 1982, following a decade of level demand, there has been steady growth in consumer demand for cotton-rich products. Gains in market share over man-made fibers account for cotton's comeback. The Cotton Research and Promotion Program has recognized the critical need to preserve and protect share gains amid a landscape where consumers and competitive fibers are continually changing. Recent studies have shown that consumer avoidance of polyester, cotton's chief competitor, is declining, even though polyester is still the most avoided fiber by consumers. This trend indicates (1) the result of significant engineered improvements to synthetic fibers that have occurred over the last two decades and (2) the marketing of polyester under names such as "microfiber," is perpetually making the polyester content less obvious to consumers. Figure 6 shows cotton's share of market in major clothing categories.

Figure 6 – Cotton’s Share by Fiber Weight in Major Retail Clothing Categories in the U.S.

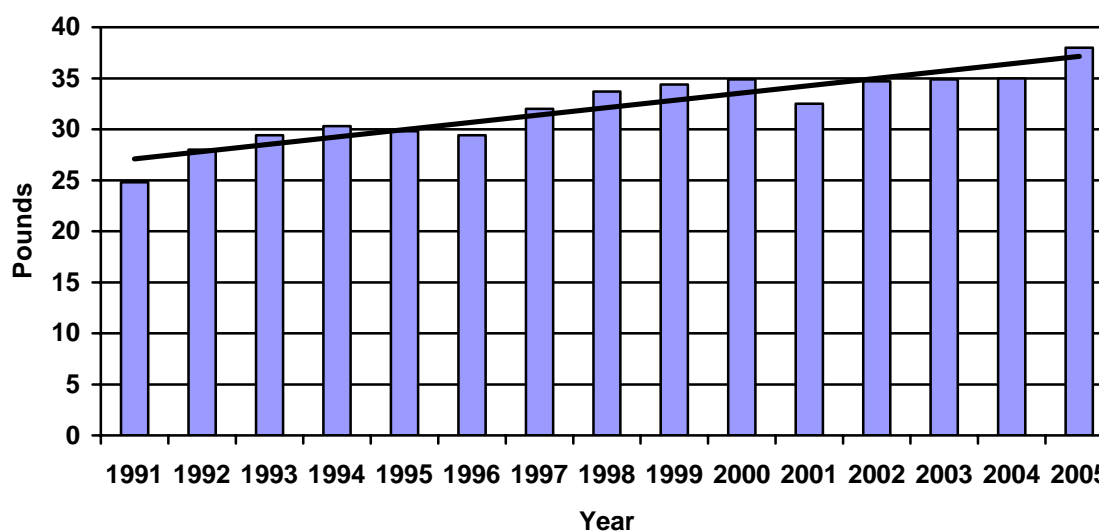
	2001	2002	2003	2004	2005
Total estimated weight in bales	7,419,957	7,653,175	7,976,238	8,269,714	8,302,827
Total estimated cotton weight in bales	5,448,970	5,696,691	6,026,257	6,261,803	6,168,587
Cotton’s Share	73.4%	74.4%	75.6%	75.7%	74.3%

Sources: NPD and AccuPanel data (through FAS). Includes jeans, slacks, shorts, sweaters, sweat apparel, shirts, skirts and dresses.

Cotton Consumption

Per capita cotton consumption from 1985 through 2005 increased by 27.5 percent, the highest rate among fibers, (see Figure 7). Comparatively, wool effectively saw no increase and man-made fibers by 20.8 percent over the same period.

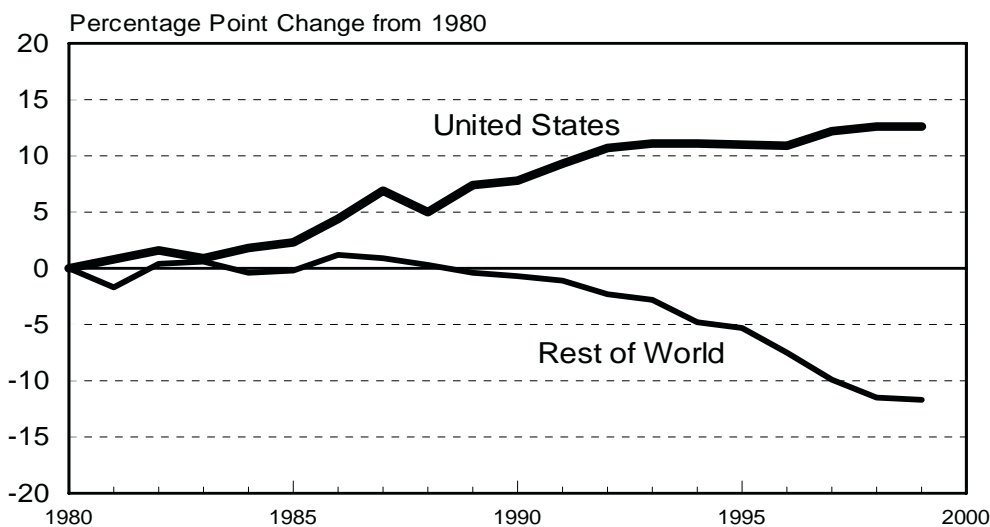
Figure 7 – Per Capita Consumption



Source: Economic Research Service, USDA (through FAS)

The growth and maintenance of cotton’s share in the U.S market is even more critical against the backdrop of cotton’s declining share worldwide. As illustrated in Figure 8 (Cumulative Change in Cotton’s Share U.S. Compared with the Rest of the World), cotton’s share in the U.S. has climbed while the share for cotton in the rest of the world has fallen since 1989. The U.S. has the only significant promotion program for building consumer demand for cotton.

Figure 8 – Cumulative Change in Cotton’s Share United States Compared with the Rest of the World



Sources: USDA, *Fiber Organon* ; apparent consumption basis

Imports

Raw cotton imports by the U.S. are minimal, less than one percent of the world’s total, on average, in recent years. Imports of raw fiber equivalents of cotton in textile products quadrupled from 2.6 billion pounds in 1991 to 10.6 billion in 2005. This change in imports of textile products containing cotton mirrors the change occurring at retail in the U.S., where imported apparel products now account for more than 90 percent of unit sales, compared to less than 40 percent a decade ago.

As noted in the previous 5-year review, U.S. consumption of imported cotton and imported products containing cotton increased even faster than U.S. mill use of domestically produced cotton. Thus, imported raw cotton and cotton-containing products do not appear to have been adversely affected by the imposition of the assessment.

Figure 9 – Share of U.S. Apparel Sales by Manufacturing Source

Year	Import	Domestic
1993	30.0%	70.0%
1994	31.4%	68.6%
1995	34.1%	65.9%
1996	38.1%	61.9%
1997	42.7%	57.3%
1998	48.9%	51.1%
1999	55.0%	45.0%
2000	60.1%	39.9%
2001	74.8%	25.1%
2002	79.6%	20.4%
2003	83.8%	16.2%
2004	86.8%	13.2%
2005	89.3%	10.7%

Source: FAS

As competition from textile and apparel imports has forced restructuring in the U.S. mill industry, cotton consumption by mills has declined by half since the near-record 11.3 million in 1997-98. With decreases in cotton mill use and the continued strength of textile imports, calendar 2005 was the eighth consecutive year in which the raw-fiber equivalent of cotton textile and apparel imports exceeded the quantity of cotton consumed by domestic mills. While this trend is not likely to be reversed, more U.S. cotton is contained in these finished products than ever before, due primarily to the effects of public policies such as the North American Free Trade Agreement (NAFTA), World Trade Organization Agreement on Textiles and Clothing, and the Caribbean Basin Initiative (CBI).

The trend in growing market share for cotton along with the increasing volume of imported cotton products is entirely consistent with the market trends identified by the GAO in 1996. Their conclusion at that time was that "... importers have shared in the growth of U.S. cotton consumption as much as domestic producers as measured by the increasing import share of the U.S. market." This conclusion appears to still be valid in 2006 as similar market trends and conditions exist.

U.S. Mill Use of Cotton

U.S. mill use of cotton stands at an estimated 5.3 million bales for 2006-2007 (USDA October 2006 report). This level is substantially below the level of previous years due largely to the effects of continuing shifts in the textile manufacturing base and to less expensive imports. These effects are the result of macroeconomic conditions driven by public policies such as NAFTA and the WTO agreement on textiles and clothing as well as larger issues of international trade in all types of products.

Despite the decline in U.S. mill consumption of cotton, it is important to note two issues. First, cotton's share on the U.S. spinning system – a measure of cotton's use relative to polyester use

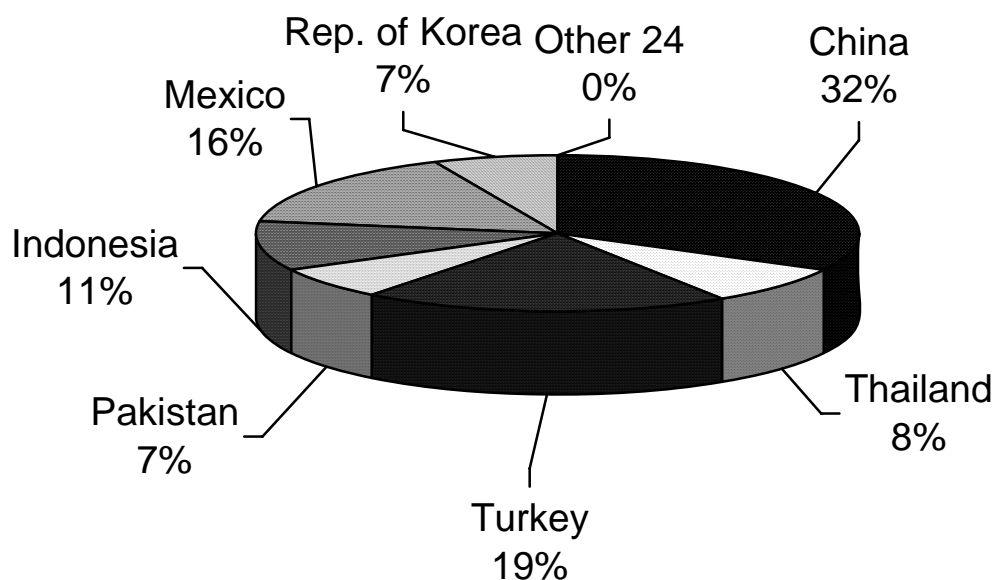
in mills – continues to be above 85 percent, indicating that although the overall level of mill production is lower, the share of cotton activity remains strong. Second, the Cotton Research and Promotion Program directly addresses the demand for cotton and is not directly targeting the supply of cotton products with regard to whether those products are produced domestically or imported. However, as identified in Cotton Incorporated's internal strategic plan, the company does place an emphasis on working with U.S. manufacturers because they are the single most important group of customers for U.S. cotton producers. The company's efforts are still targeted at affecting the key decision makers in the industry and influencing their decisions to use cotton.

Cotton Production and Exports

In the long run, the growth in U.S. cotton production over the last decade has taken advantage of the market opportunities created by growing consumer demand for cotton. The U.S. is expected to be the third largest cotton producer in 2006-2007, behind China and India.

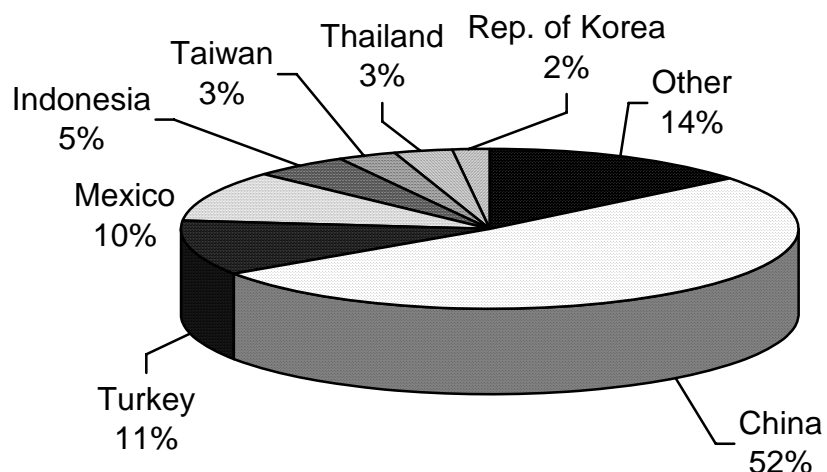
A key market for U.S. cotton production, in addition to sales to U.S. mills, is the market for exports. The U.S. is the largest and most consistent supplier of cotton to the world market. With a limited outlook for U.S. mill consumption of cotton, exports to the world market will take on even greater importance in the overall outlook for U.S. cotton. Over the last 6 marketing years, exports have accounted for 60-75 percent of the total demand for U.S. cotton. The U.S. exports cotton to more than 50 countries. In marketing years 2004 and 2005 the U.S. exported 14.4 and 18.0 million bales, respectively. The largest buyers of U.S. cotton during these two marketing years are shown in Figures 10 and 11.

Figure 10 – U.S. Exports 2004-2005 Marketing Year (percentage of 14.4 million 480-lb bales)



Source: FAS

Figure 11 – U.S. Exports 2005-2006 Marketing Year (percentage of 18.0 million 480-lb bales)



Source: FAS

Economic Evaluations of the Cotton Research and Promotion Program

The 1996 Federal Agricultural Improvement and Reform (FAIR) Act mandated independent evaluations for all industry-funded check-off programs. In keeping with this mandate, the Cotton Board contracted with Texas A&M University in January 1996, to conduct the first independent evaluation under the FAIR Act for the Cotton Research and Promotion Program. In 2001, the Cotton Board contracted with the Research Triangle Institute (RTI) to conduct its second evaluation. Summary of the results of each evaluation are provided. In 2006, the Cotton Board contracted with Forecasting and Business Analytics, LLC.

2006 Economic Analysis of the Cotton Research and Promotion Program

Forecasting and Business Analytics, LLC., College Station Texas, headed by Texas A&M University-based Dr. Oral Capps, Jr., and Dr. Gary W. Williams, conducted the 2006 study entitled, “The Economic Effectiveness of the Cotton Checkoff Program.” The draft copy of the report was provided to USDA on September 25, 2006. The final report with the reviewers’ comments incorporated was received in October 2006.

This study is a retrospective economic analysis of the Cotton Research and Promotion Program and essentially examines how effective the Cotton Research and Promotion Program has been over the years.

The study focused on the answers to the following questions:

- What are the effects of the cotton research and promotion program on the demand for raw cotton (mill level) and the demand for cotton fiber textile products (retail level)?
- What are the spillover effects of the cotton research and promotion program on man-made fiber markets?
- What are the effects of the agricultural research programs funded by the cotton research and promotion program?
- What is the incidence (that is, who pays the cost) of the cotton research and promotion assessments on domestically produced cotton and on cotton fiber textile product imports?
- What is the overall return on investment associated with the cotton research and promotion program to U.S. cotton producers and importers of cotton fiber textile products?
- What are the implications of cotton checkoff program activities for government cotton program costs?

This report also includes additional key relationships and linkages that were not accounted for in the 1996 or the 2001 5-year studies. The 2006 report includes:

- Both the cotton and cotton fiber textile markets and their linkages within the U.S. and across a broad range of foreign cotton producing and textile exporting countries.
- Accounts for potential “spillover” effects.
- Potential impacts of the check-off program on the man-made fiber industry (synthetics, primarily polyester, and cellulosics, primarily rayon).
- Accounts for “incidence” of the checkoff assessments (the costs of the assessments to producers and importers and the share of those costs borne by U.S. producers, importers, foreign producers, foreign mills, and consumers).

The 2006 key statistical findings are:

1. Cotton checkoff expenditures have effectively shifted out the demand for cotton fiber textiles.
2. Cumulative advertising and promotion elasticity is estimated to be 0.17.
 - i. 1996 study estimated the elasticity to be 0.10
 - ii. 2001 study Murray et al. (2001) estimated much smaller elasticity of 0.02.
 - iii. Ding and Kinnucan (1996) found this elasticity to be 0.07.
3. Effect of cotton checkoff marketing and promotion expenditures on man-made fiber textile consumption found to be not statistically significant.
4. No statistically discernable direct spillover effect of cotton checkoff program expenditures on U.S. demand for man-made fiber textiles.
5. Non-agricultural research expenditures take longer than marketing and promotion expenditures to have an effect - an average of about a year before non-agriculture research expenditures begin to have effect.
6. Cumulative elasticity of cotton mill demand with respect to non-agricultural research expenditures is 0.087. (1996 Study: 0.13; 2001 Study: 0.31-0.35).

7. Cotton checkoff program has no statistically significant DIRECT effect on the mill demand for man-made fibers (as was found for the retail demand for man-made-fiber textiles).
8. There is a statistically significant indirect spillover effect on man-made fiber markets through prices given the complementary nature of cotton and man-made fibers in mill use.
9. Domestic producers have benefited from the cotton checkoff program, particularly during the mandatory phase of the program.
10. The study showed the benefit-cost ration (BCR) was 5.7 to 1 for domestic cotton producers and 14.4 to 1 for importers.
11. The study results indicate that U.S. taxpayers are better off because the cotton checkoff program has tended to reduce government outlays directed to cotton farmers.

Overall, the study found that the program benefits domestic cotton producers and cotton fiber textile importers and leads to a reduction in government costs, and the authors think that this study is the most comprehensive analysis to date of the Cotton Research and Promotion Program.

Chapter 4 – USDA Decision

Conclusions

As a result of the culmination of collected information for the previous 5 years, the following conclusions can be drawn:

- 1.) The 1990 amendments to the Cotton Research and Promotion Act were successfully implemented and are operating as intended.
- 2.) Data suggests that the program is achieving its statutory objective of increasing markets and uses for cotton.
- 3.) Based on information gathered in this review, there is a general consensus within the cotton industry that the Cotton Research and Promotion Program and, in particular, the import assessment and the elimination of refunds are operating as intended. Written comments and economic data support this conclusion. Industry comments cited examples of how the additional funding has already yielded benefits through building greater demand for cotton and the successful implementation on new cotton apparel products.

USDA Decision

After analyzing all information affiliated with this 5-year review, the USDA finds no definitive reason to conduct a referendum regarding the 1991 amendments to the Cotton Research and Promotion Order. One of those assessed indicated their desire to conduct a referendum. At this point, they appear to be in the minority. The Act provides for a sign-up period to request a referendum should the Secretary decide there is not sufficient reason to conduct one. This sign-up period will provide those assessed an opportunity to request a referendum as a result of the review findings on the 1991 amendments to the Order. USDA will announce the details of the sign-up period at a later date.

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